COMMUNITY LIVING BRITISH COLUMBIA

Audited Financial Statements

For the year ended March 31, 2011

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Community Living British Columbia, and
To the Minister of Social Development, Province of British Columbia

Report on the financial statements

I have audited the accompanying financial statements of Community Living British Columbia ("the Entity"), which comprise the statement of financial position as at March 31, 2011, and the statements of operations, changes in net assets and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

In my view, the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Community Living British Columbia as at March 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Victoria, British Columbia
May 25, 2011

John Doyle, MAcc, CA
Auditor General

COMMUNITYLIVING BRITISH COLUMBIA

Financial Statements

For the year ended March 31, 2011

Statement of Management's Responsibility for Financial Reporting

The financial statements of Community Living British Columbia have been prepared by management in accordance with Canadian generally accepted accounting principles.

Management is responsible for the preparation of the financial statements and has established systems of internal control to provide reasonable assurance that assets are safeguarded, transactions are properly authorized, and financial records provide reliable information for the preparation of timely financial statements.

The Finance & Audit Committee comprises members of the Board of Directors of Community Living British Columbia and oversees management's discharge of its financial reporting responsibilities. The Committee meets regularly with management and representatives of the external auditors to review financial information prepared by management and discuss relevant matters. The external auditors have full and free access to the Committee.

These financial statements have been approved by the Board of Directors on recommendation of the Finance and Audit Committee. The Auditor General of British Columbia has performed an independent audit of the financial statements in accordance with generally accepted auditing standards. The Auditor's Report outlines the scope of this independent audit and expresses an opinion on the financial statements of Community Living British Columbia.

Rick Mowles
Chief Executive Officer

Richard Hunter
Vice President Corporate Services

COMMUNITY LIVING BRITISH COLUMBIA

Statement of Financial Position

(Expressed in thousands of dollars)

As at March 31

	2011	2010
Assets		
Current assets:		
Cash	$ 18,703	$ 22,512
Accounts receivable and prepaid expenses	7,453	1,665
	26,156	24,177
Retiring allowance amounts receivable (Note 4a)	944	1,107
Capital assets (Note 5)	10,117	10,642
	$ 37,217	$ 35,926
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 13,217	$ 13,101
Salaries, wages and benefits payable	3,770	3,347
Deferred operating contributions (Note 6)	2,275	4,621
Employee leave liability payable	998	1,075
Capital lease obligations (Note 7)	112	144
	20,372	22,288
Capital lease obligations (Note 7)	207	320
Accrued retiring allowance liabilities (Note 4a)	1,295	1,335
Deferred capital contributions (Note 8)	11,595	8,504
	33,469	32,447
Share Capital (Note 9)	-	-
Net assets:		
Invested in capital assets (Note 10)	809	2,787
Unrestricted	2,939	692
	3,748	3,479
	$ 37,217	$ 35,926

Commitments and contingencies (Note 14)

The accompanying notes are an integral part of these financial statements.

Approved on behalf of the Board:

Denise Turner
Chair

Ken Crump
Finance & Audit Committee Chair

COMMUNITY LIVING BRITISH COLUMBIA

Statement of Operations

(Expressed in thousands of dollars)

For the year ended March 31

	2011	2010
Revenues:		
Operating contributions from the Province	$ 680,950	$ 654,907
Recoveries from the Province for children's services (Note 12)	-	50,360
Cost sharing agreements with regional health authorities	11,020	9,519
Amortization of deferred capital contributions	2,409	1,795
Other income	593	720
Interest income	589	383
	695,561	717,684
Expenses:		
Adult Contracted Program Services:		
Residential	427,447	411,401
Non-residential	215,211	209,087
Children's Contracted Program Services (Note 12):		
Residential	-	17,567
Non-residential	-	23,539
Compensation and benefits	33,628	35,414
General expenses	5,096	5,726
Building occupancy costs	4,709	4,999
Communications and information technology	4,185	4,579
Amortization of capital assets	3,155	2,457
Administration costs	1,861	2,247
	695,292	717,016
Excess of revenues over expenses	$ 269	$ 668

The accompanying notes are an integral part of these financial statements.

COMMUNITY LIVING BRITISH COLUMBIA

Statement of Changes in Net Assets

(Expressed in thousands of dollars)

For the year ended March 31

	Invested in capital assets	Unrestricted	2011	2010
Net assets, beginning of period	$ 2,787	$ 692	$ 3,479	$ 2,811
Excess (deficiency) of revenues over expense	(746)	1,015	269	668
Net change in capital assets (Note 10)	(1,232)	1,232	-	-
Net assets, end of period	$ 809	$ 2,939	$ 3,748	$ 3,479

The accompanying notes are an integral part of these financial statements.

COMMUNITY LIVING BRITISH COLUMBIA

Statement of Cash Flows

(Expressed in thousands of dollars)

For the year ended March 31

	2011	2010
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	$ 269	$ 668
Items not involving cash:		
Amortization of deferred capital contributions	(2,409)	(1,795)
Amortization of capital assets	3,155	2,457
Loss on disposal of capital assets	740	-
	1,755	1,330
Changes in non-cash working capital	(7,548)	3,602
	(5,793)	4,932
Financing activities:		
Additions to deferred capital contributions	5,500	3,312
Addition to obligations under capital leases	-	30
Reduction to obligations under capital leases	(145)	(245)
	5,355	3,097
Investing activities:		
Purchase of capital assets	(3,370)	(2,703)
Disposal of capital assets	(1)	79
	(3,371)	(2,624)
(Decrease) increase in cash	(3,809)	5,405
Cash, beginning of period	22,512	17,107
Cash, end of period	$ 18,703	$ 22,512

The accompanying notes are an integral part of these financial statements.

1. Authority and purpose

Community Living British Columbia (CLBC) was established on July 1, 2005 under the Community Living Authority Act as a Crown Agency of the Province of British Columbia.

CLBC is accountable to the provincial government through the Minister of Social Development (the Minister) and is mandated to provide a variety of community living supports and services for adults with developmental disabilities, and their families. CLBC manages these supports and services which are provided through contract arrangements between CLBC and individuals and agencies throughout the province. CLBC is responsible for directing operations, enforcing standards, and managing funds and services. The Minister is responsible for the legislative, regulatory and public policy framework within which CLBC operates.
CLBC is dependent on the Ministry of Social Development (MSD) to provide sufficient funding to continue operations.

CLBC is exempt from both federal and provincial income and capital taxes.

On July 1, 2010, CLBC became subject to Harmonized Sales Tax on purchases of taxable property and services. Prior to July 1, 2010 CLBC was exempt from Goods and Services Tax.

2. Significant accounting policies

a) Basis of presentation:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations.

b) Revenue recognition:

CLBC follows the deferral method of accounting for contributions.

Unrestricted operating contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted operating contributions for expenses of future periods are deferred and recognized as revenue in the period in which the related expenses are recognized.

Externally restricted contributions for the purchase of capital assets are deferred and amortized into revenue on the same basis as the related capital assets are amortized.

c) Financial instruments:

CLBC follows the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855 – "Financial Instruments – Recognition and Measurement" and CICA Handbook Section 3861 – "Financial Instruments – Disclosure and Presentation".

CLBC's financial instruments include cash, accounts receivable, accounts payable and accrued liabilities, and salaries, wages and benefits payable. Cash is classified as held for trading. Accounts receivable are classified as loans and receivables. Accounts payable and accrued liabilities and salaries, wages and benefits payable are classified as other financial liabilities.

d) Capital assets:

Capital assets are recorded at cost. Amortization is calculated on a straight-line basis over the assets' estimated useful lives or lease term at the following rates:

Asset	Rate
Leasehold improvements	Lease term to a maximum of 5 years
Vehicles	7 years
Furniture and equipment	5 years
Information systems	3-5 years

Assets acquired under capital lease are amortized over the lesser of the estimated life of the asset and the lease term.

Systems development work-in-progress represents the unamortized costs incurred for the development of information technology which is not substantially complete. On completion, the work-in-progress balance is transferred to the completed assets account and amortized over its estimated useful life.

e) Employee future benefits:

Liabilities, net of plan assets, are recorded for employee retiring allowance benefits as employees render services to earn those benefits. The actuarial determination of the accrued benefit obligations uses the projected benefit method prorated on service. That method incorporates management's best estimate of future salary levels, retirement ages of employees, and other actuarial factors.

Defined contribution plan accounting is applied to the multi-employer defined benefit pension plan because sufficient information is not available to apply defined benefit accounting. Accordingly, contributions are expensed as they become payable.

f) Future change in accounting framework – Public Sector Accounting Standards:

The Canadian Institute of Chartered Accountant's Public Sector Accounting Board sets the standard for Generally Accepted Accounting Principles (GAAP) to be applied by Canadian government organizations.

The Province of British Columbia issued a directive pursuant to section 23(1) of the Budget Transparency and Accountability Act requiring CLBC to adopt Public Sector Accounting Standards, without not-for-profit provisions, effective April 1, 2011.

CLBC's March 31, 2012 financial statements will be prepared under Public Sector Accounting Standards, including a restatement of comparative figures for the 2011 fiscal year. CLBC is currently evaluating the impacts of the change in accounting framework on its financial statements.

3. Measurement uncertainty

In preparing these financial statements, management has made estimates and assumptions that affect the reported amounts in the financial statements and the disclosure of contingent assets and liabilities. Significant areas requiring the use of management estimates include the determination of useful lives of capital assets and the estimation of amounts which may become payable to retiring employees.

4. Employee future benefits

a) Employee retiring allowance benefits:

Employees with 20 years of service and having reached a certain age are entitled to receive special payments upon retirement or as specified by collective agreements. These payments are based upon final salary levels and the number of years of service.

Some employees of CLBC have accrued service with other British Columbia government organizations. Under an agreement between CLBC and the Public Service Agency (PSA) of the British Columbia government, the portion of retiring allowance benefits attributable to periods of employee service other than at CLBC, is recoverable from PSA.

Retiring allowance liabilities and the related receivable from PSA are based on an actuarial valuation at March 31, 2011 (2010 - March 31, 2007).

	2011	2010
Benefit obligation, as at March 31,	$ 1,295	$ 1,335
Amount recoverable from PSA, as at March 31,	944	1,107
Assumptions as of March 31,		
Discount rate	4.5%	6.75%
Rate of compensation increase	3.75%	4%
Benefit expense	79	195
Benefits paid	119	57

b) Employee pension benefits:

CLBC and its employees contribute to the Public Service Pension Plan (the Plan). The British Columbia Pension Corporation administers the Plan, including payments of pension benefits to employees. The Plan is a multi-employer, defined benefit plan. Under joint trusteeship, the risk and reward associated with the Plan's unfunded liability or surplus is shared between the employers and the plan members and will be reflected in their future contributions. The most recent actuarial valuation, at March 31, 2008, disclosed an actuarial surplus. The next actuarial valuation will be at March 31, 2011.

CLBC contributions to the Plan of $2.3 million were expensed during the year ending March 31, 2011 (2010 - $2.5 million).

5. Capital assets

2011	Cost	Accumulated amortization	Net book value
Leasehold improvements	$ 1,788	$ 1,345	$ 443
Vehicles under capital lease	897	578	319
Vehicles	105	15	90
Furniture and equipment	876	600	276
Information systems hardware/software	12,458	7,161	5,297
Systems development work-in-progress	3,692	-	3,692
	$ 19,816	$ 9,699	$ 10,117

2010	Cost	Accumulated amortization	Net book value
Leasehold improvements	$ 1,788	$ 1,136	$ 652
Vehicles under capital lease	921	457	464
Vehicles	105	-	105
Furniture and equipment	764	437	327
Information systems hardware/software	10,148	4,535	5,613
Systems development work-in-progress	3,481	-	3,481
	$ 17,207	$ 6,565	$ 10,642

6. Deferred operating contributions

Deferred operating contributions represent unspent amounts received from the Province that are restricted for specific operating purposes. Amounts amortized to revenue in the Statement of Operations are recorded as operating contributions from the Province.

	2011	2010
Deferred operating contributions, beginning of period	$ 4,621	$ -
Restricted operating contributions from the Province	4,310	14,153
Amount amortized to revenue	(6,656)	(9,532)
Deferred operating contributions	$ 2,275	$ 4,621

7. Capital lease obligations

The minimum future lease payments under capital leases are as follows:

	2011	2010
Year ending March 31,		
2011	$ -	$ 148
2012	122	115
2013	107	103
2014	76	74
2015	24	24
2016	9	9
	338	473
Less amount representing interest	19	9
Present value of capital lease obligations	319	464
Less current portion	112	144
Long term portion of capital lease obligations	$ 207	$ 320

8. Deferred capital contributions

Deferred capital contributions represent the unamortized and unspent amounts of contributions received for the purchase of capital assets. Amortization of deferred capital contributions is recorded as revenue in the Statement of Operations.

	2011	2010
Deferred capital contributions, beginning of period	$ 8,504	$ 6,987
Capital contributions from the Province	5,500	3,312
Amount amortized to revenue	(2,409)	(1,795)
Deferred capital contributions, end of period	$ 11,595	$ 8,504

The balance of deferred capital contributions related to capital assets consists of the following:

	2011	2010
Unamortized deferred capital contributions used to purchase capital assets	$ 8,989	$ 7,391
Unspent contributions	2,606	1,113
Deferred capital contributions, end of period	$ 11,595	$ 8,504

9. Share capital

CLBC has issued and registered to the Minister of Finance one share with a par value of ten dollars.

10. Invested in capital assets

a) The amount invested in capital assets is calculated as follows:

	2011	2010
Capital assets (net)	$ 10,117	$ 10,642
Less amounts financed by:		
Deferred capital contributions (Note 8)	8,989	7,391
Obligations under capital leases (Note 7)	319	464
	$ 809	$ 2,787

b) The deficiency of revenue over expenses related to capital assets is calculated as follows:

	2011	2010
Amortization of deferred capital contributions	$ 2,409	$ 1,795
Amortization of capital assets	(3,155)	(2,457)
	$ (746)	$ (662)

c) The change in the amount invested in capital assets for the year is calculated as follows:

	2011	2010
Purchase of capital assets	$ 3,370	$ 2,703
Disposal of capital assets	(740)	(79)
Capital asset additions funded by deferred capital contributions	(4,007)	(2,198)
Capital asset additions funded by capital lease	-	(30)
Reduction in capital lease obligations	145	245
	$ (1,232)	$ 641

11. Financial instruments

Financial instruments include cash, accounts receivable, accounts payable, accrued liabilities, and salaries, wages and benefits payable. It is management's opinion that CLBC is not exposed to significant interest, liquidity, cash flow or credit risk arising from these instruments. The fair values of these instruments approximate their carrying values.

12. Recoveries from the Province for children's services

During 2009, responsibility for providing community living supports and services for children with developmental disabilities, which had previously been provided by CLBC, was transferred to the Ministry of Children and Family Development (MCFD). From April 1, 2009 to October 31, 2009, MCFD funded CLBC for delivering services to children with developmental disabilities on a cost recovery basis.

For the year ended March 31, 2011

13. Related party transactions

CLBC is related through common control to all Province of British Columbia ministries, agencies and Crown corporations. Transactions with these entities are considered to be in the normal course of operations and are recorded at their fair market value.

Revenues derived from related parties are disclosed in the Statement of Operations. The amounts of related party transactions included within expenses are as follows:

	2011	2010
Adult Contracted Program Services:		
Residential	$ 4,842	$ 9,645
Non-residential	2,840	4,629
Children's contracted Program Services:		
Residential	-	238
Non-residential	-	277
Compensation and benefits	1,782	2,458
Building occupancy costs	4,709	4,999
Communications and information technology	3,574	4,034
Administration costs	549	706
General expenses	236	528

In addition to those amounts disclosed on the Statement of Financial Position, other amounts receivable from or payable to related parties at March 31 were:

	2011	2010
Accounts receivable and prepaid expenses	$ 4,492	$ 429
Accounts payable and accrued liabilities	5,763	6,622
Salaries, wages and benefits payable	89	69

14. Commitments and contingencies

a) Operating lease commitments:

CLBC leases premises and equipment under operating leases. Minimum future lease payments are as follows:

Year ending March 31,	
2012	$ 3,471
2013	1,634
2014	1,183
2015	1,183
2016	753

b) Contingent gains:

The Province of British Columbia has advanced funds under the Human Resource Facilities Act to agencies to purchase or upgrade facilities used to provide social services. On disposal or change of use, these funds and associated entitlements are recoverable by the Province and, at the discretion of the Province, transferred to CLBC.

The future recoverable entitlements are calculated in accordance with a formula that recognizes any change in the value of the property between the date of advancing the funds and the date of disposal or change of use.

The amount currently advanced by the Province as at March 31, 2011 is $2,854 (2010 - $2,878).

CLBC received $64 (2010 - $0) of such entitlements during the year. Receipts of entitlements are recorded as other income. It is not possible to determine the amounts that may be transferred to CLBC arising from future disposals or change of use in such facilities.

c) Litigation:

The nature of CLBC's activities is such that there is occasional litigation where CLBC is named as defendant. With respect to known claims, management is of the opinion that it has valid defences and appropriate insurance coverage in place, or if there is unfunded risk, such claims are not expected to have a material effect on CLBC's financial position. Where it is determined that a liability exists and the amount can be reasonably determined, the amount is recorded as an accrued liability and an expense.